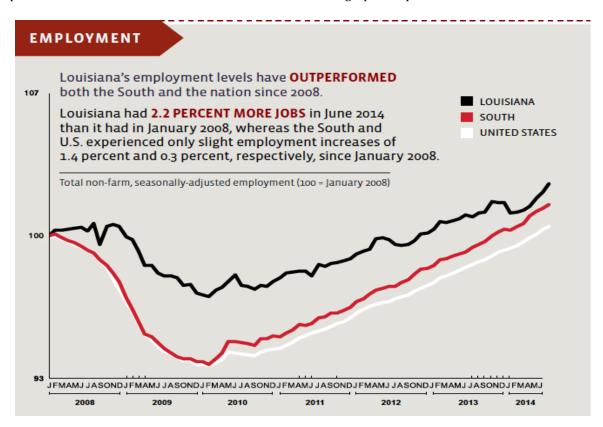
## Louisiana Department of Economic Development Misinterprets State Employment Data

The Louisiana Department of Economic Development (LED) has misinterpreted particular economic performance data for the state. In the Department's recent publication, "Louisiana Economic Quarterly Q2 2014", in the section titled Economic Update, page 4 contains a graph of total non-farm, seasonally adjusted employment for the state, the South, and the United States, stating that Louisiana's employment levels have outperformed both the South and the nation since 2008. That graph is reproduced here.



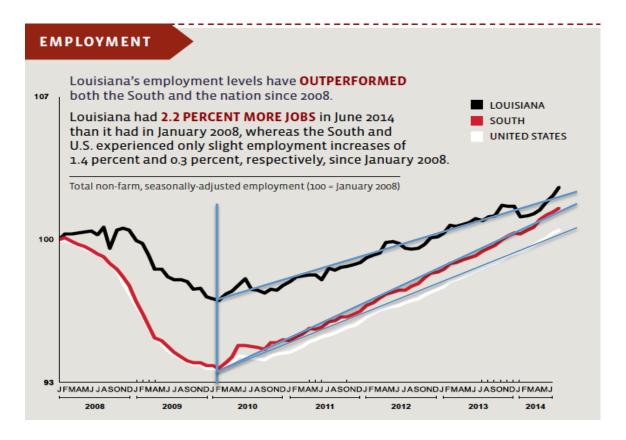
LED indexed monthly employment data to the level of January 2008 for all three regions. The value of each region's line at any point along the line then reflects the total percentage change in that region's employment relative to its level of January 2008. The LED interpretation of this data/graph is based on the fact that Louisiana employment (black line) in June 2014 was 2.2% greater than the January 2008 starting point, whereas employment for the South (red line) was only 1.4% greater, and for the United States (white line) only 0.3% greater.

While the percentage change levels are higher for Louisiana relative to the January 2008 starting point that is not indicative of relatively better employment performance by the State. Notice that as the 2008/2009 recession took hold, Louisiana employment dropped only about half as much as that of the South and the United States as a whole<sup>1</sup>, and was therefore much more likely to achieve and exceed the January 2008

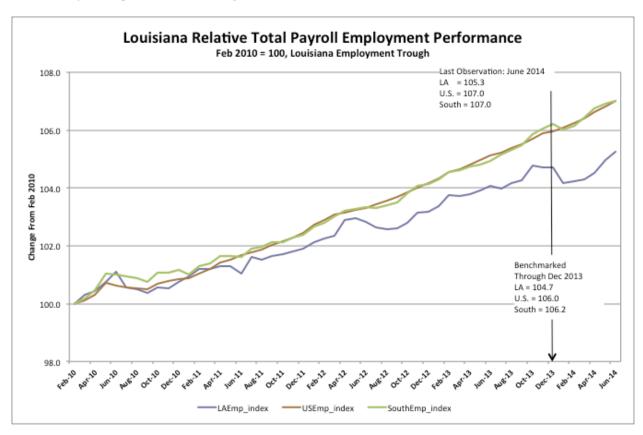
<sup>&</sup>lt;sup>1</sup> It is typical for Louisiana to fall less than the United States in recessions and to rise less than the United States in expansions. This is largely a function of a larger oil & gas sector in Louisiana's economy than in the United States overall, and a lack of consumer durable production in Louisiana relative to the United States overall.

starting point before the regions with greater drops. This happens to be more obvious if looking at only private sector employment for these three regions over this time period, but the LED misinterpretation can be summed up by saying that if a region drops by only half as much as other regions, then recovers at the same pace as the other regions, it will climb back to its starting point in half the time as the other regions. Arithmetically, no other result can occur, and says nothing about the State's relative economic performance.

Actually, in the LED graph above, it can be seen that Louisiana has not performed as well as the other regions. The LED graph is shown again below with some simple lines superimposed on it, described as follows. Draw a vertical line in the graph at February 2010, the trough point of all three regions. Then draw a straight line along each region's colored line that approximates the trend of each region from the trough point vertical line through the end of each region's colored line. Note that the trend line for Louisiana is flatter than the trend lines for the South and the United States. That flatter trend line reflects the slower employment growth in Louisiana than in the South and the United States. This slower growth is also evidenced by the convergence of the Louisiana line with both the line for the South and the line for the United States in the graph.



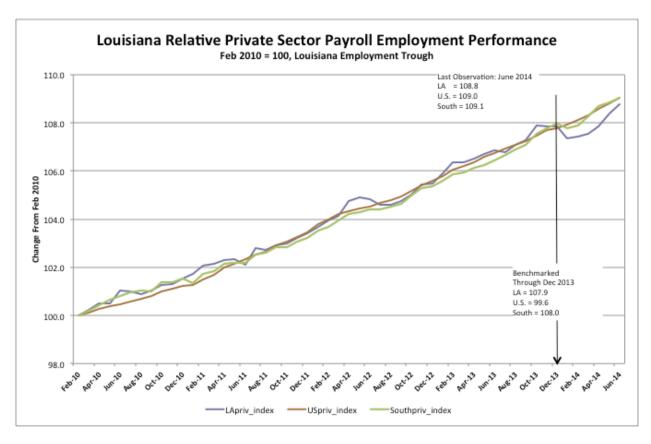
The graph below charts the same data, but indexes the starting point to February 2010, the trough month for Louisiana employment. This removes the distorting effect of the different severities of the business cycle contraction across regions and directly pictures the employment performance of the state relative to the South<sup>2</sup> and the United States as a whole. It is obvious that Louisiana economic performance, as measured by total nonfarm employment, has not outperformed the South or the United States as a whole and, in fact, has substantially underperformed those regions.



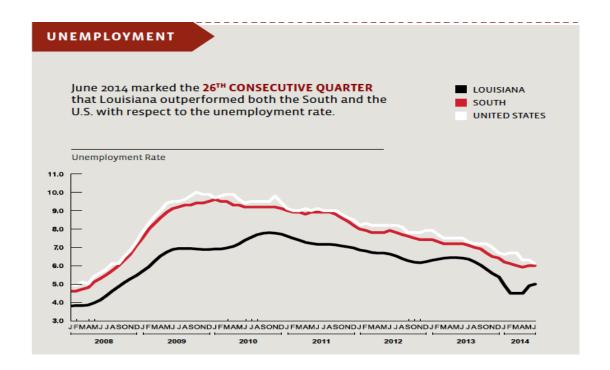
The State's relative underperformance in total nonfarm employment is largely the result of policy decisions to reduce the size of the state government sector, at least as measured by employment counts. The loss of government jobs, at the state, local, and federal levels is reflected in the widening gap between the Louisiana line and the lines for the South and United States in the graph above.

<sup>&</sup>lt;sup>2</sup> In this case the south constitutes the U.S. Department of Labor, Bureau of Labor Statistics southeast region of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, plus the states of Arkansas and Louisiana. Footnote added February 2015. Data and critique of LED analysis is unaffected, as it originally reflected these states.

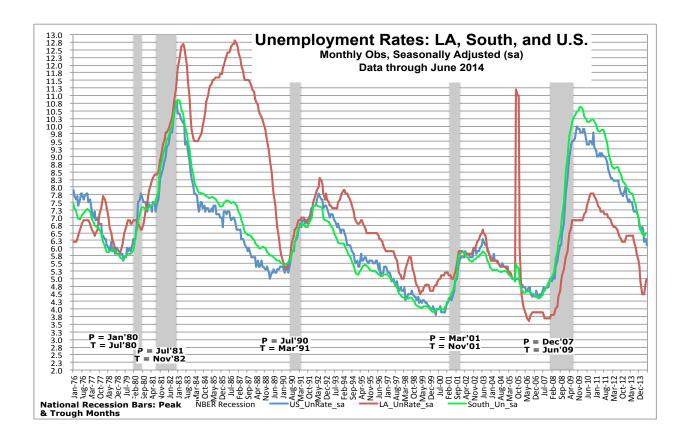
The policy decision to reduce state government employment may itself be considered a distortion of employment performance, since other states apparently have not engaged in such a policy to the same extent Louisiana has. The graph below removes that additional distortion and charts employment data for the private sector only. This graph directly pictures the private employment performance of the state relative to the South and the United States as a whole. It is obvious that Louisiana economic performance, as measured by private nonfarm employment, has also not outperformed the South or the United States as a whole. What can accurately be said is that Louisiana private sector employment performance has been essentially the same as that for the South and the United States as a whole.



Finally, the same publication, on page 5, includes a graph of unemployment rates for the same three regions, Louisiana, the South, and the United States. That graph is reproduced here, as well. The graph accurately states that there have been 26 consecutive quarters of Louisiana outperforming both the South and the United States with respect to the unemployment rate. Curiously, though, this statement actually understates the length of time that Louisiana has exhibited an unemployment rate below that of the South and the United States. In fact, June 2014 marked the 34th consecutive quarter that Louisiana has exhibited a lower unemployment rate than both the South and the U.S. Two full years of a lower unemployment rate by the state that LED neglects to point out. The LED graph itself suggests that there are earlier periods of a lower relative unemployment rate experienced by the State, since at the January 2008 starting point of the graph the Louisiana rate is already approximately one percentage point lower than that of the South and the United States.



The graph below depicts the official or headline unemployment rate for the three regions for an extended historical period. With respect to the contemporary history, it can be readily seen that Louisiana's lower unemployment rate relative to the South and the United States began in the aftermath of hurricanes Katrina and Rita. In virtually all months prior to those natural disasters the Louisiana unemployment rate exceeded that of the South<sup>3</sup> and the United States. The state's relatively better performance with respect to the unemployment rate is entirely a post-storm phenomenon and has nothing to do with a January 2008 date.



<sup>&</sup>lt;sup>3</sup> In this case the south constitutes the U.S. Department of Labor, Bureau of Labor Statistics southeast region of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, plus the states of Arkansas and Louisiana. Footnote added February 2015. Data for the South is affected here, as it originally reflected a broader BLS concept of the South. However, critique of LED analysis is not affected by this correction.